

TOWN OF OKOTOKS
Consolidated Financial Statements
For the year ended December 31, 2023

TOWN OF OKOTOKS
TABLE OF CONTENTS
For the year ended December 31, 2023

INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT REPORT	3
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF OPERATIONS	5 - 6
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES	7
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS	8
CONSOLIDATED STATEMENT OF CASH FLOW	9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	10 - 25
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS	26 - 28

INDEPENDENT AUDITOR'S REPORT

To: The Mayor and Members of Council of
the Town of Okotoks

Opinion

We have audited the consolidated financial statements of the Town of Okotoks which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations, remeasurement gains and losses, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Okotoks as at December 31, 2023, the results of its operations, remeasurement gains and losses, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 2 to the financial statements which describes the change in accounting policy regarding the Town's adoption of the new accounting standard PS 3280 Asset Retirement Obligations. Our audit opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT, continued

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Lethbridge, Alberta

April 22, 2024

Can't Show Availlpsig.png

Chartered Professional Accountants

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Okotoks is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2023 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Town Council carries out its responsibilities for review of the consolidated financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee with and without the presence of management. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Avail LLP Chartered Professional Accountants, the independent external auditors appointed by the Town. The accompanying independent Auditor's Report outlines their responsibilities, the scope of the examination and their opinion on the Town's consolidated financial statements.

Chief Administrative Officer

April 22, 2024

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2023
(\$ thousands)

	2023	2022
Financial assets		
Cash and temporary investments (note 4)	\$ 36,525	\$ 18,383
Taxes and grants in place of taxes receivable (note 5)	1,448	1,827
Trade and other receivables (note 6)	7,115	9,318
Land held for resale	2,174	3,638
Loans receivable	-	30
Inventory held for resale	88	99
Investments (note 7)	57,197	55,644
	104,547	88,939
Liabilities		
Accounts payable and accrued liabilities	10,087	10,208
Employee benefit obligations (note 8)	1,532	1,404
Deposits	1,232	1,157
Deferred revenue (note 9)	16,460	2,620
Long-term debt (note 10)	21,628	22,891
Asset retirement obligation (note 11)	1,795	-
	52,734	38,280
Net financial assets	51,813	50,659
Non-financial assets		
Prepaid expenses	208	325
Inventory for consumption	50	45
Tangible capital assets (schedule 2)	407,951	404,830
	408,209	405,200
Accumulated surplus (note 12 and schedule 1)		
Accumulated operating surplus	460,022	455,859
Accumulated remeasurement gains (losses)	-	-
	\$ 460,022	\$ 455,859

Commitments and contingencies (note 25)

Approved on behalf of Council:

Councillor _____

Councillor _____

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2023
(\$ thousands)

	Budget (Unaudited)	2023	2022
Revenue			
Net municipal taxes (note 15)	\$ 34,383	\$ 34,540	\$ 32,274
User fees and sales of goods	22,082	23,651	21,426
Government transfers for operating (note 16)	4,539	5,458	4,931
Investment income	1,461	3,062	1,767
Penalties and costs of taxes	550	519	633
Gain on disposal of tangible capital assets	-	150	34
Franchise and concession contracts (note 17)	4,500	4,467	4,495
Rental	3,327	3,213	3,048
Other	409	2,855	418
Donations	165	152	422
	71,416	78,067	69,448
Expenses (note 18)			
General government			
Council and other legislative	1,498	1,461	1,412
General administration	12,241	12,673	10,832
Protective services			
Police	5,662	5,070	4,974
Fire	7,573	8,426	6,361
Bylaw enforcement	1,697	1,549	1,432
Transportation services			
Common and equipment pool	1,855	1,983	2,082
Roads, streets, walks, lighting	7,333	7,477	6,869
Public transportation	1,469	1,533	1,409
Storm sewers and drainage	1,144	1,151	1,119
Environmental use and protection			
Water supply and distribution	4,513	4,718	4,348
Wastewater treatment and collection	4,821	4,180	3,783
Waste management	3,188	3,542	3,008
Public health and welfare			
Family and community support	1,515	2,476	1,194
Cemeteries and crematoriums	334	309	331
Planning and development			
Land use planning, zoning and development	2,603	1,979	1,892
Subdivision land and development	3,762	3,248	3,177
Recreation and culture			
Parks and recreation	17,188	15,805	15,936
Culture - libraries, museums, halls	2,432	2,393	2,157
	80,828	79,973	72,316
Deficit before other	(9,412)	(1,906)	(2,868)

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2023
(\$ thousands)

	Budget (Unaudited)	2023	2022
Other revenue			
Government transfers for capital (note 16)	9,323	3,051	7,311
Offsite levies (note 9)	-	1,731	3,990
Developer contributed assets (note 19)	-	1,127	-
Capital donations	2,000	160	-
	11,323	6,069	11,301
Surplus	1,911	4,163	8,433
Accumulated operating surplus, beginning of year	455,859	455,859	447,426
Accumulated operating surplus, end of year	\$ 457,770	\$ 460,022	\$ 455,859

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
For the year ended December 31, 2023
(\$ thousands)

	2023	2022
Accumulated remeasurement gains (losses), beginning of year	\$ -	\$ -
Unrealized gains (losses) attributable to: Equity investments	-	-
Amounts reclassified to statements of operations: Equity investments realized gains	-	-
Net remeasurement gains (losses) for the year	-	-
Accumulated remeasurement gains (losses), end of year	\$ -	\$ -

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2023
(\$ thousands)

	Budget (Unaudited)	2023	2022
Surplus	\$ 1,911	\$ 4,163	\$ 8,433
Acquisition of tangible capital assets	(28,070)	(14,882)	(15,158)
Amortization of tangible capital assets	12,582	12,859	12,369
Contributed tangible capital assets	-	(1,127)	-
(Gain) loss on disposal of tangible capital assets	-	(136)	(28)
Proceeds on disposal of tangible capital assets	-	166	48
	(15,488)	(3,120)	(2,769)
Net change in inventory for consumption	-	(6)	8
Net change in prepaid expense	-	117	(107)
	-	111	(99)
Increase in net financial assets	(13,577)	1,154	5,565
Net financial assets, beginning of year	50,659	50,659	45,094
Net financial assets, end of year	\$ 37,082	\$ 51,813	\$ 50,659

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2023
(\$ thousands)

	2023	2022
Operating transactions		
Surplus	\$ 4,163	\$ 8,433
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(136)	(28)
Amortization of tangible capital assets	12,859	12,369
Contributed tangible capital assets	(1,127)	-
Accretion of asset retirement obligation	35	-
	15,794	20,774
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	379	(231)
Trade and other receivables	2,204	(1,749)
Inventory held for resale	11	21
Land held for resale	1,464	-
Loans receivable	30	50
Inventory for consumption	(6)	8
Prepaid expenses	117	(107)
Accounts payable and accrued liabilities	(121)	1,085
Employee benefit obligations	128	173
Deposits	75	(1)
Deferred revenue	13,840	(3,048)
Asset retirement obligation	1,760	-
Cash provided by operating transactions	35,675	16,975
Capital transactions		
Proceeds on disposal of tangible capital assets	166	48
Acquisition of tangible capital assets	(14,882)	(15,158)
Cash applied to capital transactions	(14,716)	(15,110)
Investing transactions		
Increase in investments	(1,554)	(15,794)
Financing transactions		
Repayment of long-term debt	(1,263)	(1,381)
Increase (decrease) in cash and temporary investments	18,142	(15,310)
Cash and temporary investments, beginning of year	18,383	33,693
Cash and temporary investments, end of year	\$ 36,525	\$ 18,383

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

1. Significant accounting policies

The consolidated financial statements of the Town of Okotoks are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

There is measurement uncertainty related to asset retirement obligations as it involves estimates in determining settlement amount, discount rates and timing of settlement. Changes to any of these estimates and assumptions may result in change to the obligation.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

1. Significant accounting policies, continued

(d) Valuation of financial assets and liabilities

The Town's financial assets and financial liabilities are measured as follows:

Financial statement component	Measurement
Cash	Cost and amortized cost
Temporary investments	Amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Loans receivable	Amortized cost
Accounts payable and accrued liabilities	Cost
Bank indebtedness and long-term debt	Amortized cost

(e) Inventories for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

(f) Investments

Investments in derivatives and equity instruments quoted in an active market are carried at fair value with transactions costs expensed upon initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses. When the investment is disposed of the accumulated gains or losses are reclassified to the statement of operations. Investments in interest bearing securities are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(g) Deferred revenue

Deferred revenue represent government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met. Interest earned on deferred revenues, reserves, and offsite levies are calculated using an average investment earnings monthly.

(h) Long-term debt

Long-term debt is initially recognized net of any premiums, discounts, fees and transactions costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

(i) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

1. Significant accounting policies, continued

(j) Revenue recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

(k) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

(l) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(m) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	15-75
Buildings	25-50
Engineered structures	25-75
Machinery and equipment	3-25
Vehicles	10-25

Amortization is charged in the month of acquisition and in the month of disposal. Assets under construction are not amortized until available for productive use.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

1. Significant accounting policies, continued

- (ii) Contributions of tangible capital assets
Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.
- (iii) Leases
Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.
- (iv) Inventories
Inventories held for consumption are recorded at the lower of cost and replacement cost.
- (v) Cultural and historical tangible capital assets
Works of art for display are not recorded as tangible capital assets but are disclosed.
- (n) Asset retirement obligation
A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Town to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

2. Change in accounting policy

Effective January 1, 2023, the Town adopted the new accounting standard PS 3280, Asset Retirement Obligations. The new standard establishes guidelines for acknowledging, assessing, presenting, and disclosing legal responsibilities connected with the retirement of tangible capital assets. The Town has chosen the prospective approach where liabilities are recognized on a forward-looking basis for the current and subsequent periods only. The valuation and accounting of the asset retirement obligation is completed at the time of adoption without consideration for previous years.

The Town recognized the following to conform to the new standard:

- asset retirement obligations, adjusted for accumulated accretion,
- asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use,
- accumulated amortization on the capitalized cost.

3. Future accounting pronouncements

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Board (PSAB):

(a) PS3400 - Revenue

The new standard establishes overall guidance on how to account for and report revenue. The standard makes a distinction between transactions that include performance obligations (exchange transactions) and those that do not (non-exchange transactions). A performance obligation is an enforceable promise to provide specific goods or services to a specific payor. Revenue from transactions with performance obligations is recognized as the public sector entity satisfies a performance obligation by providing the goods or services to a payor. Once a performance obligation is identified, an assessment is needed to determine whether revenue recognition occurs over a period of time or at a point in time. This standard is effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.

(b) PS3160 - Public private partnerships

This standard will provide guidance on the accounting for a public private partnership (P3). This standard is effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.

(c) PSG-8 - Purchased intangibles

This guideline will allow recognition of purchased intangibles as assets. This standard is effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.

The Town is continuing to assess the impact as it prepares for the adoption of these standards.

4. Cash and temporary investments

The Town has authorized a line of credit with TD Commercial Banking to a maximum of \$6,100. The line of credit bears interest at the prime rate. As at December 31, 2023, the line of credit was undrawn.

Included in cash is \$1,232 (2022 - \$1,157) of deposit liability funds which are not available for current purposes.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

5. Taxes and grants in place of taxes receivables

	2023	2022
Taxes and grants in place of taxes receivable	\$ 1,140	\$ 1,684
Arrears	308	143
	<u>\$ 1,448</u>	<u>\$ 1,827</u>

6. Trade and other receivables

	2023	2022
Trade receivables	\$ 3,447	\$ 1,560
Utility accounts	2,545	2,445
Investment receivables	724	546
Recreation receivables	253	323
GST	221	217
Provincial grants	4	2,362
Offsite levies	-	1,910
Allowance for doubtful accounts	(79)	(45)
	<u>\$ 7,115</u>	<u>\$ 9,318</u>

7. Investments

	2023		2022	
	Carrying value	Market value	Carrying value	Market value
Bonds	\$ 57,197	\$ 55,037	\$ 55,644	\$ 52,017

The investments consist of bonds and principal protected notes that earn interest at rates between 1.57% and 4.86% with maturity dates between 2024 and 2033.

8. Employee benefit obligations

	2023	2022
Vacation and overtime	\$ 830	\$ 755
Long-term service benefit	499	458
Health care spending account	203	191
	<u>\$ 1,532</u>	<u>\$ 1,404</u>

Vacation and overtime

The vacation and overtime liability is comprised of amounts that employees are deferring to future years. Employees have either earned the benefits (and they are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

8. Employee benefit obligations, continued

Long service benefits

The long service benefit liability is comprised of one day salary per year of service (at current pay rates) for those employees with ten or more years of service, as per policy. The liability will be paid upon retirement subject to compliance with the terms and arrangements at that time.

Health care spending account

The health care spending account liability is comprised of unused balances in employees accounts, which can be carried forward for up to two years.

9. Deferred revenue

	2023	Received (Refunded)	Recognized	2022
Municipal Sustainability Initiative				
- capital	\$ 4,876	\$ 6,311	\$ 1,435	-
Municipal Sustainability Initiative				
- operating	-	438	438	-
Water For Life	7,257	7,642	385	-
Services not yet provided	2,954	1,929	1,484	2,509
Other federal grants	150	150	-	-
Canada Community-Building				
Fund	676	1,879	1,203	-
Family and Community Support				
Services	31	28	-	3
General administrative grants	2	(21)	66	89
Resource Centre grant	6	6	19	19
	15,952	18,362	5,030	2,620
Offsite levy - community facilities	508	508	-	-
Offsite levy - transportation	-	660	660	-
Offsite levy - water	-	428	428	-
Offsite levy - sanitary	-	643	643	-
	508	2,239	1,731	-
	\$ 16,460	\$ 20,601	\$ 6,761	\$ 2,620

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

10. Long-term debt

	2023	2022
Tax-supported debt	\$ 5,251	\$ 5,684
Self-supported debt		
Offsites	16,237	15,413
Offsites future capital projects	-	1,384
Utilities	140	410
Self-supported debt	16,377	17,207
	\$ 21,628	\$ 22,891
Current portion	\$ 1,031	\$ 1,263

Tax-supported debt represents the amount funded by municipal taxes. Self-supported debt represents the amount funded through self-supported municipal operations including offsite levies collected from developers, water, and sanitary.

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2024	\$ 1,031	\$ 558	\$ 1,589
2025	915	531	1,446
2026	940	506	1,446
2027	966	480	1,446
2028	992	454	1,446
Thereafter	16,784	3,509	20,293
	\$ 21,628	\$ 6,038	\$ 27,666

Debenture debt is repayable to the Treasury Board and Finance. Debentures outstanding at December 31 bear interest at rates ranging from 2.42% to 4.48% (2022 - 2.42% to 4.61%) per annum, before Provincial subsidy, and mature in periods 2024 through 2046.

Debenture debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$591 (2022 - \$636).

The Town's total cash payments for interest in 2023 were \$596 (2022 - \$642).

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

11. Asset retirement obligation

Asbestos abatement

The Town owns and operates several buildings that are known to have vermiculite and chrysotile, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS3280 - Asset retirement obligations, the Town recognized an obligation relating to the removal and post-removal care of the vermiculite and chrysotile in these buildings. The buildings had an estimated useful life of 50 years when they were purchased, of which remaining useful lives are between 25 to 37 years. Estimated costs have been discounted to the present value using a discount rate of 2.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings capital assets. The Town has not designated assets for settling the abatement activities.

	2023	2022
Balance, beginning of year	\$ -	\$ -
Liabilities incurred	1,760	-
Liabilities settled	-	-
Change in estimated cash flows	-	-
Accretion expenses	35	-
Balance, end of year	\$ 1,795	\$ -

12. Accumulated operating surplus

Accumulated surplus consists of internally restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2023	2022
Unrestricted surplus	\$ 24,223	\$ 22,811
Capital and operating reserves (note 14)	66,583	62,398
Offsite levies reserve (note 14)	(15,312)	(12,673)
Equity in tangible capital assets (note 13)	384,528	383,323
	\$ 460,022	\$ 455,859

13. Equity in tangible capital assets

	2023	2022
Tangible capital assets (schedule 2)	\$ 578,787	\$ 563,435
Accumulated amortization (schedule 2)	(170,836)	(158,605)
Asset retirement obligation (note 11)	(1,795)	-
Long-term debt (note 10)	(21,628)	(22,891)
Long-term debt - future capital projects (note 10)	-	1,384
	\$ 384,528	\$ 383,323

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

14. Reserves

Reserves for operating and capital activities are as follows:

	2023	Transfer in	Transfer Out	2022
Operating				
Infrastructure services	\$ 12,254	\$ 4,446	\$ 2,120	\$ 9,928
Corporate	2,310	-	100	2,410
Family & Community Support Services	7	-	-	7
	14,571	4,446	2,220	12,345
Capital				
Corporate	32,556	2,829	2,581	32,308
Community services	4,646	93	-	4,553
Infrastructure services	14,810	5,086	3,468	13,192
	52,012	8,008	6,049	50,053
Offsite levies				
Infrastructure services	(15,312)	1,731	4,370	(12,673)
	\$ 51,271	\$ 14,185	\$ 12,639	\$ 49,725

15. Net municipal property taxes

	Budget (Unaudited)	2023	2022
Net municipal taxes (after requisitions)			
Real property taxes	\$ 33,978	\$ 34,127	\$ 31,878
Linear property taxes and Provincial DIP	397	405	388
Government grants in place of property taxes	5	5	5
Special assessments and local improvements	3	3	3
	34,383	34,540	32,274
Requisitions			
Alberta School Foundation Fund	15,085	15,158	14,752
Seniors Lodge	650	650	645
Provincial DIP	2	3	2
	\$ 15,737	\$ 15,811	\$ 15,399

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

16. Government transfers

	Budget (Unaudited)	2023	2022
Transfers for operating:			
Provincial government	\$ 1,601	\$ 1,936	\$ 1,802
Federal government	14	125	44
Other local government transfers	2,853	3,348	2,992
Transfer from local boards and agencies	71	49	93
	4,539	5,458	4,931
Transfers for capital:			
Provincial government	9,323	3,051	7,311
	\$ 13,862	\$ 8,509	\$ 12,242

17. Franchise and concession contracts

	Budget (Unaudited)	2023	2022
ATCO* - natural gas	\$ 1,200	\$ 1,136	\$ 1,299
Fortis - electricity	3,300	3,331	3,196
	\$ 4,500	\$ 4,467	\$ 4,495

*Net of property tax	\$	175	\$	166
----------------------	----	-----	----	-----

18. Expenses by object

	Budget (Unaudited)	2023	2022
Salaries, wages and benefits	\$ 33,138	\$ 32,641	\$ 30,111
Contracted and general services	18,882	16,048	14,505
Materials, goods, supplies and utilities	7,907	9,766	7,203
Bank charges and short term interest	82	131	117
Interest on long term debt	732	591	636
Transfers to organizations and others	1,727	2,670	1,429
Purchases from other governments	5,778	5,176	5,922
Provision for allowances	-	42	18
Amortization of tangible capital assets	12,582	12,859	12,369
Accretion of asset retirement obligation	-	35	-
Loss on disposal of tangible capital assets	-	14	6
	\$ 80,828	\$ 79,973	\$ 72,316

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

19. Developer contributed assets

Contributed assets consist of the following assets, by type:

	2023	2022
Water	\$ 747	\$ -
Parks	380	-
	\$ 1,127	\$ -

20. Local authorities pension plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due. The Town is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2023 were \$1,898 (2022 - \$1,824). Total current service contributions by the employees of the Town to the LAPP in 2023 were \$1,698 (2022 - \$1,637).

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12.7 billion.

21. APEX Supplementary Pension Plan

The APEX supplementary pension plan, an Alberta Urban Municipalities Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees. The plan supplements the Local Authorities Pension Plan.

Contributions are made by the prescribed class of employees and the Town. Employees and the Town are required to make current service contributions to APEX of 2.42% (2022 - 2.61%) and 2.96% (2022 - 3.85%) respectively of pensionable earnings up to \$175 (2022 - \$171).

Total current service contributions by the Town to APEX in 2023 were \$102 (2022 - \$113). Total current service contributions by the employees of the Town were \$84 (2022 - \$77).

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

22. Salary and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	(1) Salary	(2) Benefits & allowances	2023	2022
Council				
T. Thorn, Mayor	\$ 96	\$ 6	\$ 102	\$ 102
C. Actemichuk	44	2	46	47
O. Hallmark	45	6	51	53
K. Heemeryck	43	1	44	45
G. Lang	43	2	45	44
B. Robinson	44	6	50	49
R. Swendseid	43	1	44	44
Chief Administrative Officer	\$ 293	\$ 42	\$ 335	\$ 332

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, vacation payouts and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long- and short-term disability plans, professional memberships, and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

23. Segmented disclosure

The Town provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements, disclosed in Note 1.

Refer to the schedule of segmented disclosure (schedule 3).

General government includes council and other legislative, and general administration. Protective services includes bylaw enforcement, police, and fire. Transportation includes roads, streets, walks and lighting. Planning and development includes land use planning, zoning and subdivision land and development. Public health and welfare includes family and community support. Recreation and culture includes parks and recreation, libraries, museums and halls. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management.

24. Contaminated sites liability

The Town did not identify any financial liabilities in 2023 (2022 - nil) as a result of contaminated sites.

25. Commitments and contingencies

a) The Town of Okotoks is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

b) No provisions have been made for any potential legal claims that may be filed against the Town, as management believes the Town has minimal exposure as at December 31, 2023.

c) The Town also participates in the following boards, authorities and associations:

- Drake Landing Solar Community
- Foothills Regional Emergency Services Commission
- Foothills Regional Services Commission
- Okotoks Public Library Board
- Westwinds Communities

d) In 2017 the Town finalized an annexation agreement with Foothills County which resulted in land being annexed into the Town. As part of the agreement, the Town will pay the County a total of \$2,000, \$1,600 of which was paid in 2017 to 2023. The remaining balance will be paid in increments of \$200 annually. The last payment is expected to be paid by July 2025.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

26. Debt limits and debt servicing limit

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	2023		2022	
Total debt limit	\$	119,699	\$	108,634
Total debt		21,628		22,891
	\$	98,071	\$	85,743
Debt servicing limit	\$	19,950	\$	18,106
Debt servicing		1,589		1,859
	\$	18,361	\$	16,247

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

* The Town has internally restricted the Debt Limit and Debt Servicing Limit amounts to 75% of the values permissible by Alberta Regulation 255/00, or \$89,775 and \$14,962 respectively.

27. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

28. Budget amounts

The 2023 budget for the Town was approved by Council on November 23, 2022 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted surplus per financial statements	\$ 1,911
Less: Capital expenditures	(28,070)
Long-term debt repayments	(1,802)
Transfers to reserves	(6,783)
Add: Amortization	12,582
Transfers from reserves	18,162
Long-term debt proceeds	4,000
Equals: Balanced budget	\$ -

29. Approval of financial statements

These financial statements were approved by Council and Management.

30. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

TOWN OF OKOTOKS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

Schedule of changes in accumulated operating surplus				Schedule 1		
	Unrestricted	Restricted reserves	Equity in tangible capital assets	2023	2022	
Balance, beginning of year	\$ 22,811	\$ 49,725	\$ 383,323	\$ 455,859	\$ 447,426	
Surplus	4,163	-	-	4,163	8,433	
Unrestricted funds						
designated for future use	(14,184)	14,184	-	-	-	
Restricted funds used for operations	4,111	(4,111)	-	-	-	
Restricted funds used for tangible capital assets	-	(8,527)	8,527	-	-	
Current year funds used for tangible capital assets	(6,355)	-	6,355	-	-	
Contributed tangible capital assets	(1,127)	-	1,127	-	-	
Disposal of tangible capital assets	29	-	(29)	-	-	
Amortization of tangible capital assets	12,859	-	(12,859)	-	-	
Asset retirement obligation accretion expense	35	-	(35)	-	-	
Long-term debt used for tangible capital assets	1,384	-	(1,384)	-	-	
Long-term debt related to tangible capital assets repaid	(1,263)	-	1,263	-	-	
Asset retirement obligation	1,760	-	(1,760)	-	-	
Change in accumulated surplus	1,412	1,546	1,205	4,163	8,433	
Balance, end of year	\$ 24,223	\$ 51,271	\$ 384,528	\$ 460,022	\$ 455,859	

TOWN OF OKOTOKS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2023	2022
Cost:									
Balance, beginning of year	\$ 38,021	\$ 35,340	\$ 131,785	\$ 293,673	\$ 35,333	\$ 7,866	\$ 21,417	\$ 563,435	\$ 549,374
Acquisitions	2,626	167	1,809	748	349	264	10,046	16,009	15,158
Transfers	369	2,382	5,179	8,920	197	(32)	(17,015)	-	-
Disposals	-	-	-	(19)	(112)	(526)	-	(657)	(1,097)
Balance, end of year	41,016	37,889	138,773	303,322	35,767	7,572	14,448	578,787	563,435
Accumulated amortization:									
Balance, beginning of year	-	16,351	32,485	88,193	17,701	3,874	-	158,605	147,313
Annual amortization	-	1,369	3,134	6,133	1,664	559	-	12,859	12,369
Disposals	-	-	-	(8)	(109)	(511)	-	(628)	(1,077)
Balance, end of year	-	17,720	35,619	94,318	19,256	3,922	-	170,836	158,605
Net book value	\$ 41,016	\$ 20,169	\$ 103,154	\$ 209,004	\$ 16,511	\$ 3,650	\$ 14,448	\$ 407,951	\$ 404,830
2022 net book value	\$ 38,021	\$ 18,989	\$ 99,299	\$ 205,480	\$ 17,632	\$ 3,992	\$ 21,417	404,830	

TOWN OF OKOTOKS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2023
(\$ thousands)

Schedule of segmented disclosure								Schedule 3
	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal taxes	\$ 34,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,540
User fees and sales of goods	1,330	799	1,412	15,385	198	2,964	1,563	23,651
Government transfers for operating	319	1,632	6	640	823	149	1,889	5,458
Investment income	3,062	-	-	-	-	-	-	3,062
Penalties and costs of taxes	402	-	11	98	-	-	8	519
Gain on disposal of capital assets	-	11	94	18	-	-	26	150
Franchise and concession contracts	4,467	-	-	-	-	-	-	4,467
Rental	402	243	-	-	-	21	2,547	3,213
Other	2,387	12	48	137	-	75	197	2,855
Donations	2	-	-	-	26	-	124	152
	46,911	2,697	1,571	16,278	1,047	3,209	6,354	78,067
Expenses								
Salaries, wages and benefits	7,480	8,157	1,871	3,337	942	3,672	7,182	32,641
Contracted and general services	2,804	816	2,899	3,699	120	1,394	4,316	16,048
Materials, goods, supplies and utilities	2,201	805	2,536	1,702	63	29	2,430	9,766
Bank charges and short term interest	26	3	-	-	-	36	66	131
Interest on long term debt	403	173	-	15	-	-	-	591
Transfers to organizations and others	3	-	-	-	1,580	-	1,087	2,670
Purchases from other governments	201	4,433	90	254	-	62	136	5,176
Provision for allowances	(2)	11	-	-	-	33	-	42
Amortization of tangible capital assets	1,021	646	4,732	3,404	80	-	2,976	12,859
Accretion of asset retirement obligation	-	-	-	30	-	-	5	35
Loss on disposal of tangible capital assets	-	-	14	-	-	-	-	14
	14,137	15,044	12,142	12,441	2,785	5,226	18,198	79,973
Surplus (deficit) before other	32,774	(12,347)	(10,571)	3,837	(1,738)	(2,017)	(11,844)	(1,906)
Other								
Government transfers for capital	63	205	830	412	-	-	1,541	3,051
Offsite levies	-	-	660	1,071	-	-	-	1,731
Developer contributed assets	-	-	-	747	-	-	380	1,127
Capital donations	160	-	-	-	-	-	-	160
	223	205	1,490	2,230	-	-	1,921	6,069
Surplus (deficit)	\$ 32,997	\$ (12,142)	\$ (9,081)	\$ 6,067	\$ (1,738)	\$ (2,017)	\$ (9,923)	\$ 4,163